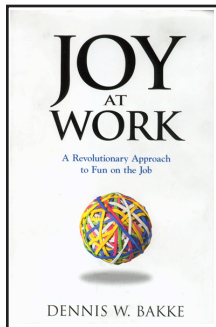


Book Reviews for Managers

Joy at Work

A Revolutionary Approach to Fun on the Job

by Dennis W. Bakke



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*“...presents a challenge
to conventional
business thinking”*

REVIEWED BY IAN COOK

In 1982 Dennis Bakke co-founded the energy company AES and led it, by the year 2000, to \$8.6 billion revenue, over \$33 billion in assets in thirty-one countries, 40,000 employees, and an energy provider to over 100 million consumers. He resigned in 2002, essentially forced out by the board, after share price plummeted in the vortex of Enron's demise.

What makes this story truly remarkable and why I think this book is worth a read for managers, however, is how they did it. They built AES by holding on tenaciously to four shared values:

- Integrity
- Fairness
- Social Responsibility
- Fun

Bakke's steadfast behavior around values presents a challenge to conventional business thinking that puts profits above all other goals and shareholders as the primary stakeholder, trumping customers, employees, the community and sometimes even...principles.

Here is an example. In 1992 nine technicians at an AES plant in Oklahoma falsified some water test data submitted to the EPA. Besides terrible press and a 57% drop in the stock price, this was a major violation of the company's integrity value. Some Board members pressured Bakke to tone down his rhetoric around values and rein in the very participative decision-making process. He decided instead to take a 30% cut in salary that year, as the most senior person responsible for adherence to the values, and continue to tout the current open manner of operating. There were many value-based innovations he put in place. Here are several that I find most interesting:

Functional Services. Self-managing teams became responsible for investments, maintenance, scheduling, long-term strategy, hours of work, hiring and firing, education, safety, environmental management, risk management, quality control and community relations. These are all areas that we typically associate with functional departments such as human resources, corporate communications and finance. He reduced their ranks drastically and transferred much of this specialized work to the line. This way, he felt, line management and staff would not give up accountability to the experts.

The “Advice Process.” He eliminated caps on spending authority. In its place, the “decision-maker” (anyone who proposes—or is charged with investigating—investment in an idea or initiative) must first consult with knowledgeable peers and senior-level people. The larger the expenditure, the wider the range of advice that must be sought. Once the decision-maker decides, the team, plant and company all share with him or her responsibility for it. “Who's the decision-maker?” became a common refrain throughout the company. In addition, Bakke delegated almost all decisions normally made at his level. This made a deep impression on his managers and the company.

This process forces the decision-maker to dialogue and consider the perspective and needs of the wider company and beyond. It also means everyone involved in the process learns a lot about the issue. It involves many more employees in important decisions and challenges them to stretch their current skills and take some serious accountability for the business consequences of their advice, decisions and actions.

The 80/20 Rule. Employees at all levels were expected to spend 80% of their time performing the tasks of their primary

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job—in other words, their job description. They were to devote the remaining 20% to participation in project teams, task forces, learning new skills, rendering advice, etc. Bakke believed that this tapped into unused talents, made the workplace more fun, and positioned work as, in reality, a voluntary act.

In our era of work-stress and 60-80 hour weeks, this sounds very expensive, having only 4/5 of an employee to do a job. I am intrigued by the concept, although devoting 20% of your time beyond your job seems high. An average of 10% across all employees seems more plausible.

All Salary Approach. It really irked Bakke that today's organizations still perpetuate that industrial revolution concept of two groups: managers and workers. Many companies today struggle with the consequences of this class distinction and all the resentment and dependency that flow from it. According to Bakke, putting everyone—even unionized workers—on salary not only reduced psychological barriers but also linked pay more to the content of one's contribution rather than simply the time one put in.

AES made it a voluntary decision for an hourly employee to go on salary. The amount was calculated as your base wages plus the amount of overtime worked by the average employee in your plant the previous year. At any time you could revert to hourly wages plus overtime. By 2002 90% of employees, worldwide, were willingly paid on a salary basis.

Regarding his beliefs around **leadership** and **purpose**, I should mention that Dennis Bakke comes from a very strong evangelical Christian world view. In fact, he added a 30 page postscript that speaks directly to fellow evangelicals. It is a piece that I would have much preferred he not include but, hey, it's his book.

He believes that today's **companies** should have **three goals**:

1. Truly serve society with their products and services.
2. Operate in an economically sustainable manner.
3. Achieve its results while rigorously adhering to a clear set of principles.

And that today's **leaders** should have **three roles**:

1. Interpret and model the shared values.
2. Be a senior advisor to everyone in the organization.
3. Push the organization to reach its goals and live up to its ideals.

He sees profit as a *means* to the product/service goal, not an end in itself. In other words, the economically viable firm is nothing more than a vehicle for adding value to society. Here he draws on writer Max Dupree who likens profits to *breathing...*"not the goal of life but pretty good evidence of whether you are alive."

I was intrigued by the reaction Bakke received from his Board members who, by and large, had joined in the praise of AES values until the stock dropped (as it did seriously in the wake of September 11 and the Enron collapse). Suddenly they fingered the participative decision process and the value of "fun" as causing the dive in share price. Pressure came down to revert to a top-down, controlling structure. Bakke argued that the stock price of other players in the energy sector had declined equally and that their top-down decisions were no better able to prevent the drop.

The AES story is about one leader who decided to operate genuinely according to some universal beliefs about people and about what he felt was important in a corporation. So many of us talk this stuff. He lived it!

If nothing else, this book will challenge your thinking: what does your organization say it values? Does it really believe it? Do you?

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